

Message Text

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SUBJECT: PHILIPPINE-US BALANCE OF TRADE

REF: MANILA 14474

1. REFTEL REPORTS PROJECTION OF SUBSTANTIAL TRADE DEFICIT FOR PHILIPPINES IN 1975. FOR FIRST TIME SINCE 1967, PHILIPPINE TRADE BALANCE WITH US COULD ALSO BE IN DEFICIT.

2. FIGURES FOR RP-US TRADE THROUGH FIRST 8 MONTHS OF 1975 REFLECT RP IMPORTS FROM US OF \$462 MILLION, AND EXPORTS TO US OF \$460 MILLION. 1974 EIGHT-MONTH FIGURES WERE \$489 MILLION IMPORTS AND \$803 MILLION EXPORTS. JAN-AUG FIGURES REFLECT SHARP IMPROVEMENT FOR PHILIPPINES FROM JAN-JUN PERIOD, WHEN TRADE DEFICIT WITH U.S. WAS \$61 MILLION. THIS CHANGE DUE LARGELY TO DRAMATIC INCREASE IN EXPORTS TO U.S., FROM \$271 MILLION IN JAN-JUN PERIOD TO \$460 MILLION IN JAN-AUG PERIOD. ASSUMING THIS SUDDEN BOOM LEVELS OFF FOR REMAINING FOUR MONTHS OF 1975, WE CAN SEE POSSIBILITY OF TRADE DEFICIT WITH U.S. RANGING FROM NEAR BALANCE TO \$120 MILLION. SEP-
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TEMBER FIGURES WILL HELP TO CLARIFY TRENDS. 1974 TRADE

SAW RP SURPLUS OF \$421 MILLION, COMPOSED OF \$731 MILLION
IMPORTS FROM U.S. AND \$1,152 MILLION EXPORTS TO U.S.

3. BILATERAL BREAKDOWNS FOR INVISIBLE TRADE AND TRANSFERS,
AND FOR CAPITA FLOWS, NOT AVAILABLE FOR 1975. PHILIPPINES,
HOWEVER, GENERALLY HAS SURPLUS WITH U.S. IN INVISIBLES AND
WE DO NOT EXPECT LARGE SHIFTS IN THIS PATTERN. PRO-
JECTING FROM 1974 FIGURES, WE MIGHT EXPECT INVISIBLES
SURPLUS FOR RP OF \$250 MILLION. CAPITAL FLOWS MUCH MORE
DIFFICULT TO IDENTIFY AND PREDICT, BUT CENTRAL BANK
SOURCES LOOK FOR SUBSTANTIAL SHORT AND MEDIUM-TERM
BORROWING FROM US TO COVER TRADE DIFICIT, WHICH COULD
RESULT IN NET INFLOW TO RP IN VICINITY OF \$40 MILLION.
THIS WOULD PUT RP IN OVERALL BALANCE OF PAYMENTS SURPLUS
WITH US FROM ABOUT \$170 MILLION TO \$290 MILLION.

4. REGARDLESS OF ACTUAL END-OF-YEAR FIGURES, WE CAN
EXPECT SUBSTANTIAL LOSS IN RP EXPORTS TO U.S. -- A LOSS OF
PERHAPS \$450 TO \$600 MILLION FROM 1974. THIS DEVELOP-
MENT CAN BE ATTRIBUTED IN LARGE PART TO DRAMATIC SHIFT
IN PHILIPPINE SUGAR MARKETINGS. EVEN THOUGH WE ESTI-
MATE THAT TOTAL VALUE OF PHILIPPINE SUGAR SALES IN 1975
WILL BE \$748 MILLION, WHICH IS SLIGHTLY MORE THAN 1974
SALES, SALES TO THE U.S. WILL PROBABLY DROP TO \$236
MILLION, FROM A 1974 LEVEL OF \$548 MILLION. THUS,
PERCENTAGE OF RP SUGAR SOLD TO THE U.S. WOULD DROP FROM
74PCENT IN 1974 TO 32PCENT IN 1975. BASED ON OUR ESTIMATES,
REDUCED SUGAR SALES TO U.S. COULD ACCOUNT FOR BETWEEN 52PCENT
AND 70PCENT OF TOTAL ESTIMATED LOSS IN EXPORTS TO U.S. IN
1975.
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